



MEMORANDUM

To: Members of the Investment Subcommittee of the Cash Management Policy Board
 From: Colleen C. Davis, State Treasurer
 Date: April 15, 2020
 Subject: Short-Term Liquidity Requirements Amid Coronavirus Pandemic

SUMMARY

The Office of the State Treasurer (“OST”) monitors liquidity requirements through an internal short-term cash forecast. This forecast, which extends out approximately two months, is used to determine the need for and timing of transfers between the State’s bank and investment (liquidity and reserve) accounts. Based on the current forecast, OST anticipates drawing approximately \$390 million from the two liquidity accounts to cover outflows through the end of May. No reserve account draws are anticipated during this time.

APRIL, MAY PROJECTED CASH FLOWS

OST’s internal cash flow projections are based on seasonal and historical patterns and reconciled with actual activity on a daily basis. The current projection assumes diminished revenues due to the coronavirus pandemic and normal expenditure levels in both April and May.

The following table reflects the completed and projected investment portfolio draws for the months of April and May 2020, as of April 9, 2020.

Account	Market Value as of 3/31/20	April Funding Draws to Date	Anticipated Funding Draw for 04/24/20	Anticipated Funding Draw for 05/07/20	Anticipated Funding Draw for 05/21/20	Account Balances as of 5/31/20*
<u>Liquidity</u>						
PFM	\$ 339,500,103.19	\$ (65,000,000.00)	\$ (60,000,000.00)	\$ (90,000,000.00)	\$ (40,000,000.00)	\$ 84,500,103.19
WTC	\$ 336,397,168.81	\$ (65,000,000.00)	\$ (60,000,000.00)	\$ (90,000,000.00)	\$ (40,000,000.00)	\$ 81,397,168.81
Liquidity Accounts Total	\$ 675,897,272.00					\$ 165,897,272.00
<u>Reserve</u>						
BLACKROCK	\$ 498,574,797.18					\$ 498,574,797.18
CHANDLER	\$ 528,956,184.99					\$ 528,956,184.99
JP MORGAN	\$ 490,682,075.84					\$ 490,682,075.84
LAZARD	\$ 535,636,593.63					\$ 535,636,593.63
Reserve Accounts Total	\$ 2,053,849,651.64					\$ 2,053,849,651.64
Fixed Income Portfolio Total	\$ 2,729,746,923.64					\$ 2,219,746,923.64

*5/31/20 account balances do not include projected interest earnings

DISCUSSION

Historically, April and May are positive inflow months, resulting in excess liquidity. The State’s two liquidity managers typically have their portfolios replenished with excess cash deposits beginning in March and ending in June.

The investment draw projection reflects an assumption that the State will receive below average inflows in April and May. This is a conservative precaution, reflecting the possibility that pandemic-related revenue declines may begin to materialize as early as April. However, flows into the State's primary collections account remained strong, as of the end of March. If the decline in revenue does not materialize until later in the calendar year, or if the decline is not as steep as currently projected in April or May, then the need for the additional anticipated funding draws in April and May could be eliminated or the amounts could be lowered.

Under this conservative projection, OST anticipates having sufficient liquidity balances to cover the outflows through the end of May. No reserve account draws are anticipated during this time.